

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Ottawa County Insurance Authority		County Ottawa	
Audit Date 12/31/05		Opinion Date 3/28/06		Date Accountant Report Submitted to State: 4/26/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

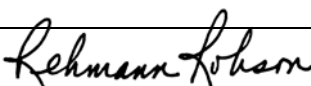
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA				
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI	Zip 48605
Accountant Signature 				

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of

OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY



West Olive, Michigan

For The Years Ended December 31, 2005 and 2004

BOARD OF DIRECTORS

2005

Alan Vanderberg
Mary Richardson
Roger Rycenga
Gordon Schrotenboer
Jack Smant
Dennis Swartout



OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY
A Component Unit of Ottawa County

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INTRODUCTORY SECTION



Ottawa County, Michigan Insurance Authority

12220 Fillmore Street, Room 331, West Olive, Michigan 49460

(616) 738-4856

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March 28, 2006

Board of Directors
Ottawa County, Michigan Insurance Authority
12220 Fillmore Street, Room 331
West Olive, MI 49460

Board of Directors:

The Comprehensive Annual Financial Report of the Ottawa County, Michigan Insurance Authority (the "Insurance Authority" or "Authority") for the year ended December 31, 2005 is hereby respectfully submitted. This report was audited by the Insurance Authority's independent certified public accountants. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Insurance Authority. We believe the data, as presented, are accurate in all material respects, that it is presented in a manner designed to set forth fairly the financial position and results of operations of the Insurance Authority as measured by the financial activity of its various membership years, and that all disclosures necessary to enable the reader to gain the maximum understanding of the Insurance Authority's financial affairs have been included.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

REPORTING ENTITY AND ITS SERVICES

The Ottawa County, Michigan Insurance Authority is an organization of governmental unit agencies formed as a legal entity under State statutes that authorize local units to create such an entity to meet their risk management needs. Specifically, the Insurance Authority administers a program of self-funding and commercial insurance in the areas of property and liability as well as providing for support services such as: claims/litigation administration and management, loss control services and training, risk management statistical information, and financial reporting services for its members. The Insurance Authority began its operation on October 24, 1990 with two initial members, the County of Ottawa and the Ottawa County Building Authority; as of December 31, 2005 no additional members have been added.

The Board of Directors is the governing body of the Insurance Authority and manages its operations. The Board is comprised of the following persons: the Ottawa County Treasurer, the Chairperson of the Ottawa County Board of Commissioners, the Chairperson of the Ottawa County Board of Commissioners standing committee in charge of finances, a member-at-large from the Ottawa County Board of Commissioners, the Ottawa County Administrator, and an elected or appointed official from each participating public entity except Ottawa County.

The Insurance Authority has the following powers pursuant to the intergovernmental agreement: to sue and be sued; to make contracts; to hold and dispose of real and personal property; to borrow money, contract debts, and pledge assets in the name of the Insurance Authority; to appoint employees or contract with other individuals or entities, including a participating public entity, for personnel services; and to do any other acts necessary or appropriate in order to effectuate the purposes of the agreement.

The Insurance Authority reporting entity includes all activities (operations of its administrative staff, officers, executive board and board of directors as they relate to the Insurance Authority) considered to be part of (controlled by or dependent on) the Insurance Authority. This includes the financial activity relating to all of the membership year pools of the Insurance Authority. The Insurance Authority does not have oversight responsibility for any other governmental entity.

ECONOMIC CONDITION AND OUTLOOK

Unemployment Statistic Comparisons

In contrast to the State of Michigan's sliding economy, Ottawa County's economy performed well in 2005. 2005 labor statistics were positive, and there continues to be a high volume of investments in industrial facilities. The County believes this momentum will carry forward throughout 2006 and into 2007.

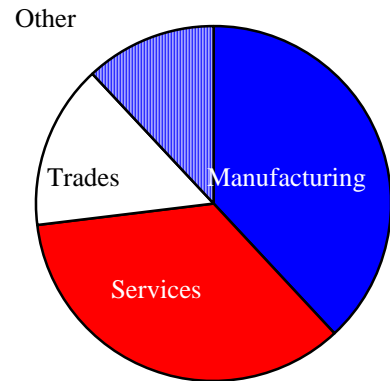
In 2005, Ottawa County consistently posted monthly unemployment rates well below the State of Michigan averages. Specifically, Ottawa County's unemployment rate was under the State rate by between 1.5 to 2 percentage points:

	<u>Ottawa County</u>	<u>Michigan</u>	<u>United States</u>
Unemployment Rate	5.0%	6.7%	5.1%

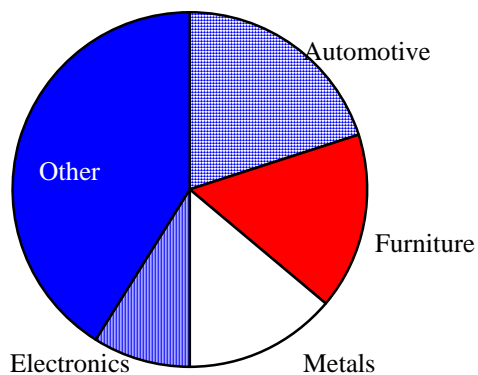
During the year, the number of persons employed in Ottawa County, increased by 5,424 reaching 131,497 in December 2005. The number of persons who were unemployed decreased by 1,509 over the year. The year ended having 6,478 persons out of work and seeking jobs. During 2005, the unemployment rate dropped from 6 percent in January to 4.7 percent in December 2005. The 2005 figure was lower than the previous three yearly averages. Ottawa County's unemployment rate in January 2006 (5.1 percent) was the second lowest rate among the 14 labor market areas in the State of Michigan.

Composition of the Ottawa County Workforce

Concerning the composition of Ottawa County's workforce, its largest concentration of workers continues to be in manufacturing. For the year 2005, the annual average number of manufacturing workers represented approximately 38 percent of the total private sector employment. The next largest sector was services with about 35 percent of the workforce, followed by the trades (retail & wholesale) at a distant third accounting for about 15 percent of the County's private employment. Government workers at all levels comprised about 14 percent of the County's total non-farm employment.



The industries represented within manufacturing are diversified. The largest share of workers, 20 percent, was involved in the production of automotive components in 2005. The next largest share, 16 percent, was engaged in furniture production. The third share, 14 percent, was in fabricating metals. Other groups with significant shares of manufacturing workers were electronics at 9 percent, food processing at 8 percent, machinery at 7 percent and plastics at 5 percent.



Since 2000, the composition of the workforce has been changing. Specifically, manufacturing

employment has been declining in Ottawa County. The overall decrease in the manufacturing base has been approximately 5,855 jobs from a high of approximately 43,357 workers in 2000 to 37,502 in 2005. Overall, the number of industrial workers decreased by about 400 jobs from the start to the end of 2005. A similar decline has also occurred in the first few months of 2006. Ottawa County's auto components manufacturers reduced their workforces by about 500 jobs over the course of 2005. However, the County's furniture manufacturers held their workforces steady throughout the entire year. Manufacturers have been downsizing workforces and making significant improvements in productivity to remain competitive in a global marketplace. However, such productivity gains work against job growth within Ottawa County.

Unfortunately, in early 2006, General Motors announced the closure of the Delphi plant in Coopersville by the end of 2008. There are approximately 650 hourly and salaried employees at the Delphi plant. However, there are no suppliers in Ottawa County providing components to this plant. A viable option for Delphi (that will receive strong local support) will be to sell all of the assets to another auto components manufacturer and continue production at this facility.

Although these composition changes are certainly difficult at their onset, in the long run, they improve the employment picture. These changes have provided us with more diversification both among the categories of employment as well as within the manufacturing component. As a result, the County is in a better position to weather any future economic adversity should it develop.

As the manufacturing sector employment has declined, those economic sectors that have added workers during this period in Ottawa County include services (especially education and health), government and natural resources.

Industrial Facility Investments

While there has been a gradual decline of industrial workers recently in Ottawa County, there has been no curtailment in planned investments in new and expanded facilities and new machinery and equipment by Ottawa County's manufacturers. In 2005, more industrial tax abatement certificates were issued for expansion projects in Ottawa County than in any other county in the State of Michigan. Of the statewide total of 700 issued certificates, 71 (about 10 percent) were for projects located in Ottawa County. The collective value of all those investments was \$267.9 million. Those projects are expected to create 1,077 new jobs over the next two years. In addition to the 71 projects in Ottawa County, there were 12 expansion projects located in the Allegan County portion of the City of Holland. These projects combined accounted for investments of about \$28.6 million and the creation of 354 new jobs. This was the second year in a row that Ottawa County has led all other counties in the State with a number one ranking in terms of the number of industrial tax abatement certificates issued.

Some of the larger industrial expansion projects in terms of investments and job creation receiving certificates include:

<u>Company</u>	<u>Development</u>	<u>\$ Invested</u>	<u>Projected Job Growth</u>
Leprino Foods	Plant Expansion and Renovation	\$85.0 million	53
Johnson Controls	Auto Seat Components Project	\$62.9 million	544
Gentex	Manufacturing/Technology Center	\$59.8 million	250
Boar's Head Provisions	Distribution Center/Food Processing Plant Renovation	\$19.2 million	115

<u>Company</u>	<u>Development</u>	<u>\$ Invested</u>	<u>Projected Job Growth</u>
Nicholas Plastics	Plant Addition	\$14.2 million	75
Tiara Yachts	Plant Expansion	\$12.0 million	150
Mead Johnson	Plant Expansion	\$11.4 million	Undetermined
Request Foods	Plant Expansion	\$10.7 million	Undetermined

Outlook for 2006 - 2007

State Outlook:

Michigan's employment growth has lagged behind nearly every other State in the country due primarily to the State's disproportionate concentration of durables good manufacturing – motor vehicles and auto components. The restructuring in the domestic auto industry has led to six consecutive years of job loss in Michigan. This is the longest decline on record. Between the end of 2005 and the end of 2007, it is estimated that there will be a loss of 62,700 manufacturing jobs. In addition, it is unclear how the restructuring of State business taxes as well as the threat of other plant closings, strikes and other bankruptcies may affect the State.

Michigan's job growth is expected to remain below the national average. Total employment in Michigan is expected to decline 1.2 percent in 2006 and .5 percent in 2007. The State's annual average unemployment rate may rise to 7.4 percent for 2006 and 7.5 percent for 2007, which will be well above the national averages of 5.2 in both 2006 and 2007. However, employment gains are projected in the services sector, which will add 4,800 jobs in 2006 and 26,900 in 2007.

Productivity gains have made manufacturing firms more profitable and competitive, but have reduced the need for hiring additional employees to meet increased demand. Because of the large number of workers employed in transportation equipment manufacturing and the likelihood of continued substantial gains in productivity in the vehicle sector, it is probable that the Michigan economy will require additional time to adjust to the change.

Ottawa County Outlook:

The outlook for Ottawa County is somewhat better. According to one published economic forecast, Ottawa County's total employment is expected to grow by one percent in both 2006 and 2007. Employment in the services sector is forecasted to grow by nearly two percent.

Manufacturing job growth can be expected in Ottawa County in the long term, since it is known that many of the largest expanding firms have multi-year expansion projects. Having a large, relatively diversified manufacturing base has been a strength of Ottawa County's economy. With Gentex's building project, the 5-year plan is for overall investments of \$110 million and job creation of a total of 625 new jobs. When the new manufacturing/technology center opens in June 2006, there will still be an additional \$40 million in planned future improvements. Consequently, there are another 375 new jobs on the horizon as Gentex Corporation grows into its new complex.

Leprino Foods' expansion project in Allendale Township also involves multi-year phases. Beyond the first two phases, Leprino Foods expects to add new bulk packaging equipment and construct a 17,000 square foot addition to house its block cheese production equipment (Phase III). Leprino Foods also plans to undertake further upgrades to existing areas in the old portion of the plant (Phase IV). These proposed improvements have yet to be identified by investment value and job creation potential until they complete a ten-year plan for the Allendale cheese making facility.

In addition, there are also a number of new industrial expansion projects in Ottawa County that are just being announced, including a \$7.2 million expansion to create 25 jobs by pharmaceutical maker J.B. Laboratories in Holland Township; Agape Plastics in Tallmadge Township with a \$3.8 million 30,000 square foot plant addition to create 50 jobs; Apex Spring & Stamping in Tallmadge Township also with a 30,000 square foot building addition valued at \$2.2 million; DeWys Manufacturing in Wright Township with a \$1.6 million machinery & equipment upgrade in its metal fabrication shop which will create 10 new jobs; and Plascore in the City of Zeeland with a proposed \$2.8 million new 50,000 square foot plastics manufacturing plant to create 50 new jobs.

However, the expansion is not only in the manufacturing segment. Holland Hospital is in the process of a \$45 million remodeling and expansion project to expand the emergency department, add a new critical care unit, and add more rooms. In April of 2006, the new, \$36 million Zeeland Community Hospital opened and provides additional space to meet projected service needs.

The projects highlighted above represent the larger developments underway. It is important to note that many modest investments continue to develop in the County. Both the multitude and magnitude of investment in the County are indicative of the confidence that the private sector has in Ottawa County. With its strengths in entrepreneurship, pro-business attitudes, local governmental cooperation, innovation, and strong work ethic, Ottawa County will be stable in the years ahead.

MAJOR INITIATIVES

The Insurance Authority assumes financial and operational responsibilities for all risk assumption, risk management, and insurance coverage matters for the County of Ottawa, including its constituent departments and agencies, and the Ottawa County Building Authority. By contract with the Insurance Authority, the County, through its Administrative Services Department, has the primary responsibility for the day-to-day risk and insurance management functions of the Insurance Authority, so as to preserve human, physical, natural, and financial resources.

The Insurance Authority contracts with a risk management consultant to assist with identification, evaluation, and reduction of exposures to risk, as well as all other risk management and insurance functions. Legal counsel, both independent and County civil counsel, provide the claim defense when the Insurance Authority is responsible for defense, and supervise the defense provided by insurers when an insurer has the right and duty to defend a claim. Counsel also reviews Insurance Authority policies and procedures so as to provide appropriate protection to the Insurance Authority and its participants, and provides periodic training sessions to County employees in order to reduce exposure to risk.

It is a standard requirement of all vendors and contractors doing business with Ottawa County or the Building Authority to provide evidence of insurance in accordance with specified requirements, as well as broad indemnification. In this way, liability arising out of the acts, errors, or omissions of others is not a primary financial responsibility of the Insurance Authority.

The hard market continued into early 2004, which kept premiums at or near their highest levels since the formation of the Authority. Later in the year, there was clear evidence of softening in some lines, which should be to the Authority's advantage in the next few years. A softening market has arrived, and the Authority's program reflects this. However, because of the complex nature and the broad scope of **Excess Liability** insurance, it remained difficult to find, at a reasonable price. One of the unusual features is that **Public Officials Liability**, which includes **Employment Practices Liability**, is on the occurrence basis, while nearly every other insurer uses the claims-made basis. Excess limits for these exposures remain difficult to find, which means that the Authority must assume, and therefore fund for, greater risk. Total **Excess Liability** limits of \$11,000,000 over a primary \$1,000,000 limit covered by the Authority are in place, although the highest \$5,000,000 layer of those limits excludes certain **Employment Practices Liability** offenses.

Although no new exposures were added to the scope of coverage which the Authority provides, the Authority was able to arrange for appropriate excess insurance over the **Medical Professional Liability** coverage provided by the Authority, including coverage for employed professionals, including physicians, psychologists, nurses, and others.

During the course of the year, the Authority participated in the negotiations which resulted in the resolution of a significant environmental impairment liability claim. Payments of expenses to fulfill the negotiated resolution began late in the 2005 coverage year and will continue for at least another year.

Commercial insurance remains in place for **Property** (including **Boiler and Machinery**), **Automobile Liability** and “**No-Fault**,” **General/Law Enforcement/Public Officials Liability**, and **Crime**. Each line of insurance which is purchased commercially has a deductible or self-insured retention, which the Authority covers.

Further, the Authority assumes responsibility for those risks which are either uninsurable or which are insurable at comparatively high premiums, such as gradual pollution, and for risks which are excluded by the insurance policies which it purchases, such as damage to pavements and roadways or mysterious disappearance.

Insurance coverage is purchased for those risks where the premiums are projected to be significantly lower over time than the cost of expected losses, where losses are too infrequent for any accurate projection, or where the Authority desires to control the claim defense process.

All claims brought against the County or the Building Authority, and all incidents occurring within their jurisdictions, whether against a commission, board, elected/appointed official, employee, or volunteer, are appointed to the Insurance Authority in accordance with its reporting procedure. The claim/incident is processed and, if appropriate, forwarded to the Insurance Authority’s legal counsel or insurer for investigation or establishment of an open claim reserve. At each Insurance Authority Work Group meeting, reports of claims or incidents are reviewed, as are reserves for open claims and the long-term claim history. Settlement of any claim and preferred handling of any lawsuit or potential lawsuit occurs after consultation with the Insurance Authority’s Work Group and/or the appropriate insurance company.

The Insurance Authority continually reviews and considers alternatives to some or all of its risk financing and control program. As the commercial insurance market softens, there is less economic impetus to continue to assume more risk. However, there are many issues which the Authority considers when deciding whether to offer additional coverage to its members. In some cases, there are factors which far outweigh cost in making these decisions. The Authority Work Group continues its comprehensive review of exposures and will present appropriate recommendations to the Authority for its consideration.

Safety and loss prevention programs are performed in conjunction with the County of Ottawa Administrator’s Office, the risk management consultant, legal counsel, and the insurers. Each County department is expected to conduct its operations in a responsible and safe manner.

OTHER INFORMATION

Independent Audit

Rehmann Robson, independent certified public accountants, provide an objective, independent audit of the fairness of the Insurance Authority's reported financial position and results of operations. Their audit includes the auditing procedures which they deem necessary to express an opinion as to the fairness of the financial statements. Their unqualified opinion on the Insurance Authority's financial statements is included in the financial section of the report.

In addition, Financial Risk Analysts, LLC, provide independent actuarial services which estimates the liabilities recorded as outstanding claim reserves.

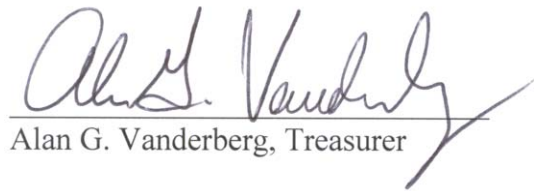
Acknowledgments

Our sincere appreciation is expressed to members of the County of Ottawa staff for their assistance in preparing this report.

Our appreciation is also extended to each member and alternate of the Board of Directors for their commitment to risk management and intergovernmental risk pooling.

Respectfully submitted,

OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY



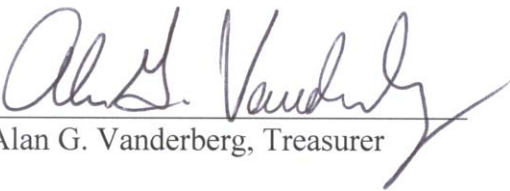
Alan G. Vanderberg, Treasurer

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Responsibility for the integrity of the financial data presented rests with the Ottawa County, Michigan Insurance Authority (the "Authority"). We believe the data to be accurate in all material aspects. These financial statements are prepared in accordance with generally accepted accounting principles applicable to government and Michigan State Statutes.

The Authority maintains a system of internal controls to provide reasonable assurance that the books and records reflect authorized transactions of the Authority.

Rehmann Robson, independent certified public accounts, has audited the accompanying financial statements, and the supplemental financial information has been subjected to the auditing procedures applied in their audit. Rehmann Robson's report appears prior to the financial statements.



Alan G. Vanderberg, Treasurer

FINANCIAL SECTION



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**



INDEPENDENT AUDITORS' REPORT

March 28, 2006

Ottawa County, Michigan
Insurance Authority
West Olive, Michigan

We have audited the accompanying basic financial statements of the **OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY**, a component unit of Ottawa County, as of December 31, 2005 and 2004, and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Ottawa County, Michigan Insurance Authority** as of December 31, 2005 and 2004, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such schedules have been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, are fairly presented in all material respects in relation to the financial statements taken as a whole.

We did not audit the data in the introductory section of this report and, therefore, express no opinion thereon.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION and ANALYSIS

Management's Discussion and Analysis

As management of the *Ottawa County, Michigan Insurance Authority*, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-ix of this report.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$5,034,281 (*net assets*). All of this amount is unrestricted and may be used to meet the Authority's ongoing obligations.
- The government's total net assets increased by \$1,811,666.
- The Authority's investment balance decreased by \$39,110.

Overview of the Financial Statements

Fund type: The Authority has been established as an internal service proprietary fund type of the primary government, Ottawa County, to account for and allocate costs internally among the County's various functions. Specifically, the Authority accounts for the general, automobile and property liability of the County. There are three statements included in the Authority's basic financial statements.

The *statements of net assets* present information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Authority's financial position is improving or deteriorating.

The *statements of revenues, expenses and changes in net assets* present information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *statements of cash flows* present information showing the inflows and outflows of cash during the year. Accordingly, only transactions that affect the Authority's cash account are reported. The statement of cash flows assists the reader in determining the liquidity of the entity.

These statements can be found on pages 8-10 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found beginning on page 11 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This is limited to schedules of claims development, unpaid claims liabilities, investments, changes in net assets, and a member growth analysis. These schedules can be found beginning on page 19 of this report.

FINANCIAL MANAGEMENT AND CONTROL

The 2005 Comprehensive Annual Financial Report reflects two years of Authority operations.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, issued in November 1989, provides accounting and financial reporting guidance for risk financing and insurance related activities for state and local governmental entities, including public entity risk pools. In February 1996, GASB No. 30, *Risk Financing Omnibus*, was issued which amended certain provisions of GASB No. 10. In March 1997, GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, was issued, which also amended certain provisions of GASB No. 10.

These financial statements have been prepared in accordance with GASB No. 10, as amended by GASB No. 30 and GASB No. 31. In addition, the statements have been prepared in accordance with GASB No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and GASB No. 40 - *Deposit and Investment Risk Disclosures*.

Fund Accounting

The Authority uses a fund (i.e., a separate accounting entity with a self-balancing set of accounts) to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Basis of Accounting

The Authority's operating fund, an internal services fund, is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the fund are included on the statement of net assets. Internal service fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Budgetary Control

A detailed budget is presented to the Authority for approval on an annual basis.

Financial Analysis

As the following table demonstrates, the Authority's assets exceeded its liabilities by \$5,034,281 at December 31, 2005, which was a significant increase. The entire balance of the net assets is unrestricted and may be used to meet the Authority's ongoing obligations.

Ottawa County, Michigan Insurance Authority's Net Assets

	<u>2005</u>	<u>2004</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Current assets				
Investments	\$ 11,479,646	\$ 11,332,876	\$ 146,770	1.3%
Restricted investments	5,075,196	5,261,076	(185,880)	-3.5%
Cash and cash equivalents	880,574	1,453,801	(573,227)	-39.4%
Other assets	<u>261,087</u>	<u>245,046</u>	<u>16,041</u>	6.5%
Total assets	<u>17,696,503</u>	<u>18,292,799</u>	<u>(596,296)</u>	-3.3%
Current liabilities				
Unpaid claims liabilities	9,215,433	10,461,453	(1,246,020)	-11.9%
Due to Ottawa County	<u>3,446,789</u>	<u>4,608,731</u>	<u>(1,161,942)</u>	-25.2%
Total liabilities	<u>12,662,222</u>	<u>15,070,184</u>	<u>(2,407,962)</u>	-16.0%
Net assets - unrestricted	<u>\$ 5,034,281</u>	<u>\$ 3,222,615</u>	<u>\$1,811,666</u>	56.2%

The cash and investment balances at year end are at a point in time, so fluctuations are not unusual and may reflect investment transactions in process. Together, cash and investments fell by \$612,000. During 2005, a transfer of \$1.2 million was made from the Insurance Authority to the County as part of the County's budget process. This transfer also reduced the Due to Ottawa County liability since the funds transferred were from the County's funds that the Authority invests.

The unpaid claims liability decreased due to a change in the reserve established for the SouthWest Ottawa Landfill. Previously, the Authority established a reserve of \$4.5 million which is the estimated total cost of the remediation. However, during 2005, Ottawa County (the primary government) committed to paying for a portion of the remediation. As a result, the reserve for this landfill decreased to \$2.5 million which is the amount projected to recap the landfill. The decrease in the unpaid claims liability is also partially responsible for the increase in net assets.

Revenues, Expenses and Changes in Net Assets

<u>Revenue</u>	<u>2005 Amount</u>	<u>2005 % of Total</u>	<u>2004 Amount</u>	<u>2004 % of Total</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Loss premiums	\$ 1,615,037	75.2%	\$ 1,506,570	69.3%	\$ 108,467	7.2%
Investment revenue	511,194	23.8%	584,068	26.9%	(72,874)	(12.5%)
Change in fair value of investments	(40,050)	(1.9%)	78,808	3.6%	(118,858)	(150.8%)
Insurance recoveries and other revenue	<u>62,381</u>	<u>2.9%</u>	<u>5,050</u>	<u>0.2%</u>	<u>57,331</u>	1,135.3%
TOTAL	<u>\$ 2,148,562</u>	<u>100.0%</u>	<u>\$ 2,174,496</u>	<u>100.0%</u>	<u>\$ (25,934)</u>	<u>(1.2%)</u>

Revenues: Revenues totaled \$2,148,562 for the year ended December 31, 2005. Overall, revenues remained essentially steady, decreasing \$25,934 or 1.2 percent over the prior year. Due to the market value of investments as of December 31, 2005, the Authority had a loss in the fair value of investments of \$40,050. Insurance recoveries can vary by year. In 2005, the Authority received \$45,000 from our carrier for mold remediation at the County's Hudsonville facility.

<u>Expenses</u>	<u>2005 Amount</u>	<u>2005 % of Total</u>	<u>2004 Amount</u>	<u>2004 % of Total</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Claims and legal expenses paid	\$ 332,669	98.7%	\$ 165,293	11.0%	\$ 167,376	101.3%
Increase (decrease) in unpaid claims liabilities	(1,239,127)	(367.8%)	102,784	6.8%	(1,341,911)	(1,305.6%)
Excess insurance Expense	476,370	141.4%	498,597	33.1%	(22,227)	(4.5%)
Risk management, administrative services and other expenses	189,073	56.1%	186,734	12.4%	2,339	1.3%
Investment management fees	31,667	9.4%	34,279	2.3%	(2,612)	(7.6%)
Transfer to Ottawa County	<u>546,244</u>	<u>162.2%</u>	<u>518,082</u>	<u>34.4%</u>	<u>28,162</u>	5.4%
TOTAL	<u>\$ 336,896</u>	<u>100.0%</u>	<u>\$ 1,505,769</u>	<u>100.0%</u>	<u>\$ (1,168,873)</u>	<u>(77.6%)</u>

Expenses: Expenses (including the transfer to Ottawa County) totaled \$336,896 for the year ended December 31, 2005. This was a significant decrease over the prior year. The decrease is due primarily to a change in the unpaid claims liability of \$1.2 million. As mentioned previously, the change reflects the County of Ottawa's (primary government) assumption of certain remediation costs for the SouthWest Ottawa Landfill.

Claims and legal expenses paid can vary significantly by year depending on settlements. 2005 includes a \$98,000 payment to the County for mold remediation at the Hudsonville facility. In addition, two of the County's patrol cars were totaled in accidents. The Authority's payment to the County for these was \$40,000. Last, the transfer to the County, which varies depending on prior year chargeback amounts, increased \$28,162.

Member Assessment and Base Allocation

The allocation of assessments among members is based upon an exposure base determined by operating expenditures and unit measurements for property/liability.

Pension Funds

The Authority has no employees; as such, it contracts for all administrative, accounting, and financial reporting services with Ottawa County and other outside entities.

Cash Management

The Authority's investment policy, approved by its Board of Directors, has the objective of pursuing an optimum rate of return without sacrificing safety on available assets not required for current operating needs while maintaining sufficient liquidity to meet cash flow needs. Specific investments are made in accordance with the Authority's investment policy, which conforms to the guidelines established for investment of public funds by the Michigan Revised Statutes.

As of December 31, 2005, the Authority's investment portfolio was comprised of the following:

<u>Instrument</u>	<u>Total Principal</u>	<u>Percent of Portfolio</u>
Debt Securities:		
U.S. Government	\$ 7,697,677	44.1%
Mortgage-backed	2,100,189	12.0%
Corporate	853,863	4.9%
Equity Securities:		
Common Stock	5,903,113	33.9%
Cash	<u>880,574</u>	<u>5.1%</u>
TOTAL	<u>\$ 17,435,416</u>	<u>100.0%</u>

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Fiscal Services Director, 12220 Fillmore Street, Room 331, West Olive, Michigan, 49460.

BASIC FINANCIAL STATEMENTS

OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY

A Component Unit of Ottawa County

STATEMENTS OF NET ASSETS

December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Current assets		
Investments	\$ 11,479,646	\$ 11,332,876
Restricted investments	5,075,196	5,261,076
Cash and cash equivalents	880,574	1,453,801
Accrued interest receivable	145,200	136,756
Prepaid insurance	<u>115,887</u>	<u>108,290</u>
Total assets	<u>17,696,503</u>	<u>18,292,799</u>
Current liabilities		
Unpaid claims liabilities	9,215,433	10,461,453
Due to Ottawa County	<u>3,446,789</u>	<u>4,608,731</u>
Total liabilities	<u>12,662,222</u>	<u>15,070,184</u>
Net assets - unrestricted	<u><u>\$ 5,034,281</u></u>	<u><u>\$ 3,222,615</u></u>

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY

A Component Unit of Ottawa County

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating revenues		
Loss premium revenues	\$ 1,615,037	\$ 1,506,570
Insurance recoveries and other revenues	<u>62,381</u>	<u>5,050</u>
Total operating revenues	<u>1,677,418</u>	<u>1,511,620</u>
Operating expenses		
Claims and related expenses		
Claims and legal expenses paid	332,669	165,293
Increase (decrease) in unpaid claims liabilities	(1,239,127)	102,784
Excess insurance expense	476,370	498,597
Risk management and other expenses:		
Risk management, administrative services and other expenses	189,073	186,734
Investment management fees	<u>31,667</u>	<u>34,279</u>
Total operating expenses	<u>(209,348)</u>	<u>987,687</u>
Operating income	<u>1,886,766</u>	<u>523,933</u>
Nonoperating revenues		
Investment revenue	511,194	584,068
Change in fair value of investments	<u>(40,050)</u>	<u>78,808</u>
Total nonoperating revenues	<u>471,144</u>	<u>662,876</u>
Income before transfers	2,357,910	1,186,809
Transfer to Ottawa County	<u>(546,244)</u>	<u>(518,082)</u>
Change in net assets	1,811,666	668,727
Net assets, beginning of year	<u>3,222,615</u>	<u>2,553,888</u>
Net assets, end of year	<u><u>\$ 5,034,281</u></u>	<u><u>\$ 3,222,615</u></u>

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY

A Component Unit of Ottawa County

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2005 and 2004

	2005	2004
Cash flows from operating activities		
Loss premiums collected	\$ 1,615,037	\$ 1,506,570
Insurance recoveries and other revenues collected	62,381	5,050
Custodial funds received (paid)	(1,149,520)	37,161
Claims and related expenses paid	(823,529)	(661,321)
Risk management and other expenses paid	(233,162)	(218,996)
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	(528,793)	668,464
	<hr/>	<hr/>
Cash flows from noncapital financing activities		
Transfer to Ottawa County	(546,244)	(518,082)
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of investments	(11,083,560)	(13,096,764)
Proceeds from sale and redemption of investments	11,082,620	13,163,700
Investment income received	502,750	573,160
	<hr/>	<hr/>
Net cash provided by investing activities	501,810	640,096
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(573,227)	790,478
	<hr/>	<hr/>
Cash and cash equivalents, beginning of year	1,453,801	663,323
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ 880,574	\$ 1,453,801
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income	\$ 1,886,766	\$ 523,933
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease in prepaid insurance	(7,597)	7,183
Increase (decrease) in unpaid claims liabilities	(1,246,020)	98,170
Increase (decrease) in due to Ottawa County	(1,161,942)	39,178
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	\$ (528,793)	\$ 668,464
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

NOTES to FINANCIAL STATEMENTS

OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY

A Component Unit of Ottawa County

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Ottawa County, Michigan Insurance Authority (the “Authority”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In November 1989, the GASB issued Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. GASB No. 10 establishes accounting and financial reporting standards for risk financing and insurance related activities for state and local governmental entities, including public entity risk pools. These financial statements have been prepared in accordance with GASB No. 10, as amended by GASB 30.

The more significant of the Authority’s accounting policies are described below.

Reporting Entity

The Authority was organized for the purpose of providing insurance coverage and risk management and related services to participating public entities pursuant to State of Michigan Act No. 36 of the Public Acts of 1988.

The Authority was formed by Ottawa County and the Ottawa County Building Authority, the original participating public entities. Additional public entities may be admitted by unanimous vote of all current participating public entities. Presently, no additional public entities have applied or been admitted for participation.

The Authority is governed by a board consisting of one appointed and four elected officials of Ottawa County and one elected or appointed official from each other participating public entity.

The Authority is a blended component unit of Ottawa County. Accordingly, the Authority’s financial statements are included in the County’s Comprehensive Annual Financial Report. The Authority is considered to be a component unit of the County because the County has the ability to significantly influence operations and has accountability for fiscal matters.

In 1992, the Authority issued its first indemnity contracts to participating public entities and, accordingly, began collecting premiums, processing and adjusting claims, and paying losses. Prior to 1992, the Authority’s activity was limited to investment of the original capital contributions from Ottawa County and recording related investment income and fees.

OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY

A Component Unit of Ottawa County

Notes To Financial Statements

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority's operating fund, an *internal service fund* (a type of proprietary fund), is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the related cash flows.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are member insurance premiums. Operating expenses include the cost of claims, risk management and administration. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed by the Authority to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of money market mutual funds and other short-term investments with an original maturity of three months or less and are carried at cost, which approximates fair value.

Investments and Restricted Investments

The Authority's investments and restricted investments are stated at fair value which is determined as follows: (a) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates and (b) investments that do not have established market values are reported at estimated fair value.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between the Authority and Ottawa County for goods provided and services rendered. These receivables/payables are classified as "due from/to Ottawa County" on the statements of net assets.

OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY
A Component Unit of Ottawa County

Notes To Financial Statements

Unpaid Claims Liabilities

The Authority records unpaid claims liabilities based on estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and of claims that have been incurred but not reported. Because actual claims costs depend on such complex factors as inflation, damage awards and changes in legal liability doctrines, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are (or will be) recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency and other economic and societal factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

2. DEPOSITS AND INVESTMENTS

The Authority's investments, including its cash and cash equivalents, are held in a trust account at a local bank. Public Act 218 of 1956 (the Insurance Code of 1956) establishes asset requirements for domestic insurers. Qualified assets as defined thereunder include investments in domestic and foreign stocks, bonds, and other indebtedness of solvent corporations as approved by the insurer's governing body entrusted with its investments, subject to certain percentage of portfolio limitations. Generally, the statute does not prohibit investments in any asset otherwise permitted to be held by any other person or corporation under Michigan laws. All of the Authority's investments comply with the State statutes.

OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY
A Component Unit of Ottawa County

Notes To Financial Statements

Custodial Credit Risk. The Authority's cash in the amount of \$1,155 and \$1,241,792 at December 31, 2005 and 2004, respectively, was uninsured and uncollateralized. Its short-term investments in money market funds amounting to \$879,419 and \$212,009 at December 31, 2005 and 2004, respectively, are not subject to custodial risk categorization. At December 31, 2005 and 2004, the Authority did not have any custodial credit risk on its investments.

The cost and estimated fair values of investments in debt and equity securities at December 31, 2005 and 2004, are summarized as follows:

	<u>Cost</u>	<u>Unrealized</u> <u>Gains</u>	<u>Losses</u>	<u>Fair Value</u>
<u>2005</u>				
Debt securities:				
U.S. Government	\$ 2,708,845	\$ 1,886	\$ 88,250	\$ 2,622,481
Mortgage-backed	2,081,913	30,559	12,283	2,100,189
Corporate	868,867	5,149	20,153	853,863
Equity securities -				
Common stocks	4,856,589	1,076,401	29,877	5,903,113
	<u><u>\$ 10,516,214</u></u>	<u><u>\$ 1,113,995</u></u>	<u><u>\$ 150,563</u></u>	<u><u>\$ 11,479,646</u></u>
<u>2004</u>				
Debt securities:				
U.S. Government	\$ 3,562,426	\$ 919	\$ 25,616	\$ 3,537,729
Mortgage-backed	1,678,357	107,450	8,644	1,777,163
Corporate	668,973	12,360	4,031	677,302
Equity securities -				
Common stocks	4,354,134	998,544	11,996	5,340,682
	<u><u>\$ 10,263,890</u></u>	<u><u>\$ 1,119,273</u></u>	<u><u>\$ 50,287</u></u>	<u><u>\$ 11,332,876</u></u>

OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY
A Component Unit of Ottawa County

Notes To Financial Statements

Net realized losses on the sale of debt securities for the years ended December 31, 2005 and 2004, were \$4,459 and \$10,140 respectively. On the sale of equity securities, the net realized gains were \$255,843 and \$382,990, respectively. The calculation of realized gains and losses is independent of the calculation of net change in the fair value of investments. Unrealized gains and losses on investments sold in the current year that had been held for more than one year were included in the net change reported in the current and prior years.

Interest Rate Risk. The Authority had the following investments and maturities in debt securities (none of which are callable) as of December 31:

	<u>Cost</u>	<u>Fair Value</u>	<u>Investment Maturities (fair value by years)</u>		
			<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
2005					
U.S. treasuries	\$ 2,708,845	\$ 2,622,481	\$ 149,056	\$ 1,437,180	\$ 1,036,245
U.S. agencies	2,081,913	2,100,189	587,871	546,628	965,690
Corporate bonds	868,867	853,863	-	607,255	246,608
	<u>\$ 5,659,625</u>	<u>\$ 5,576,533</u>	<u>\$ 736,927</u>	<u>\$ 2,591,063</u>	<u>\$ 2,248,543</u>
2004					
U.S. treasuries	\$ 3,562,426	\$ 3,537,729	\$ 1,004,373	\$ 1,782,921	\$ 750,435
U.S. agencies	1,678,357	1,777,163	486,862	679,587	610,714
Corporate bonds	668,973	677,302	-	528,807	148,495
	<u>\$ 5,909,756</u>	<u>\$ 5,992,194</u>	<u>\$ 1,491,235</u>	<u>\$ 2,991,315</u>	<u>\$ 1,509,644</u>

Credit Risk. Of the Authority's investments in the mortgage-backed bonds of U.S. agencies as of December 31, 2005, \$2,049,690 was rated AAA and \$50,499 was rated A by Standard & Poor's. The Authority's investments in corporate bonds were rated by Standard & Poors as follows:

AAA	\$ 50,095
AA	97,302
A	706,466
	<u>\$ 853,863</u>

OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY
A Component Unit of Ottawa County

Notes To Financial Statements

3. RESTRICTED INVESTMENTS

In 1998, to comply with Michigan Insurance Bureau regulations, the Authority transferred certain investments – i.e., U.S. Treasury Notes – to the Michigan Department of Treasury as security for the benefit of the Authority's policyholders. As these investments mature, they are replaced with comparable investments to maintain a face value balance of \$5.0 million. Such investments held by the State Treasurer as of December 31, 2005 and 2004, are as summarized below.

<u>Description</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Face Value</u>	<u>Fair Value</u>	
				<u>2005</u>	<u>2004</u>
U.S. Treasury Notes	02/15/2007	6.250%	\$ 485,000	\$ 494,588	\$ 516,147
U.S. Treasury Notes	05/15/2007	4.375%	1,400,000	1,399,454	1,438,178
U.S. Treasury Notes	08/15/2007	6.125%	1,675,000	1,720,543	1,796,823
U.S. Treasury Notes	11/15/2008	4.750%	1,100,000	1,111,220	1,151,480
U.S. Treasury Notes	02/15/2012	4.875%	<u>340,000</u>	<u>349,391</u>	<u>358,448</u>
			<u>\$5,000,000</u>	<u>\$5,075,196</u>	<u>\$ 5,261,076</u>

4. UNPAID CLAIMS LIABILITIES

As discussed in Note 1, the Authority establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the Authority during 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Unpaid claims and claim adjustment expenses at the beginning of the year	<u>\$ 10,461,453</u>	<u>\$ 10,363,283</u>
Incurring claims and claim adjustment expenses (undiscounted):		
Provision for insured events of the current year	1,833,338	1,655,863
Increase (decrease) in provision for insured events of prior years	<u>(2,810,718)</u>	<u>(1,544,021)</u>
Total incurred claims and claim adjustment expenses	<u>(977,380)</u>	<u>111,842</u>

OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY
A Component Unit of Ottawa County

Notes To Financial Statements

	<u>2005</u>	<u>2004</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	\$ 156,961	\$ 95,865
Claims and claim adjustment expenses attributable to insured events of prior years	<u>111,679</u>	<u>(82,193)</u>
Total payments	<u>268,640</u>	<u>13,672</u>
Total unpaid claims and claim adjustment expenses at the end of the year	<u>\$ 9,215,433</u>	<u>\$ 10,461,453</u>

In 1996, upon advice of legal counsel and its actuary, the Authority established a liability for certain uninsured exposures (i.e., exposures excluded from commercially purchased policies and, generally, not subject to readily available policies in the market), including environmental impairment and remediation, employment relations, and defense of non-monetary claims. At December 31, 2005 and 2004, the amount of this liability, which is included in the totals above, was \$5,010,283 and \$6,868,889, respectively.

5. EXCESS INSURANCE

The following presents the Authority's per occurrence self-insured retentions:

<u>COVERAGE</u>	<u>Self-Insured Retention Per Occurrence</u>
General Liability, Public Officials E&O and Police Professional Liability	
4/1/01 - 3/31/09	\$ 1,000,000
4/1/94 - 3/31/01	500,000
4/1/93 - 3/31/94	250,000
<u>General Liability</u>	
4/1/89 - 3/31/93	\$ 250,000
<u>Automobile Liability</u>	
4/1/02 - 3/31/09	\$ 25,000

OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY
A Component Unit of Ottawa County

Notes To Financial Statements

<u>COVERAGE</u>	<u>Self-Insured Retention Per Occurrence</u>
<u>Automobile Physical Damage</u> 10/1/86 - 3/31/09	Unlimited
<u>Property</u> 4/1/02 - 3/31/09	\$ 50,000
4/1/01 - 3/31/02	25,000
4/1/93 - 3/31/01	5,000
<u>Medical Professional Liability</u> 4/1/03 - 3/31/09	\$ 1,000,000
4/1/93 - 3/31/03	500
4/1/91 - 3/31/93	250,000

6. PREMIUM DEFICIENCY

The Authority has determined that a premium deficiency did not exist at December 31, 2005 and 2004. The Authority considered anticipated investment income in making this determination.

7. CUSTODIAL FUNDS MANAGEMENT

Pursuant to an interpretation of State statutes by the Michigan Insurance Bureau (MIB), the Authority discontinued coverage of workers compensation claims effective January 1, 1996. The MIB allowed, however, that the Authority could continue to manage the monies of the County's self-insured workers compensation fund in a custodial capacity provided that it: (1) did not cover or process claims; and (2) maintained sufficient deposits and/or investments of such a character and level to otherwise comply with State investment statutes for local governments. The Authority complied with these stipulations for 2005 and 2004.

SUPPLEMENTAL SCHEDULES

OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY
A Component Unit of Ottawa County
SUPPLEMENTAL CLAIMS DEVELOPMENT INFORMATION

	1986 to						
	1991 (A)	1992	1993	1994 (C)	1995	1996 (D)	
Loss premium and investment revenues	\$ -	\$ 1,229,319	\$ 1,441,923	\$ 1,530,430	\$ 1,831,066	\$ 1,272,013	
Estimated incurred claims and allocated loss adjustment expenses, end of policy year	1,070,247	455,251	349,515	794,982	799,613	2,643,981	
Paid (cumulative) as of:							
End of policy year	252,746	23,521	21,375	98,563	41,243	61,374	
1 year later	507,387	68,883	59,536	138,363	71,981	71,898	
2 years later	656,630	73,381	71,570	137,679	97,801	117,670	
3 years later	700,369	89,334	77,205	139,078	105,031	384,542	
4 years later	722,260	94,217	83,526	140,038	150,782	385,509	
5 years later	744,069	93,512	84,926	141,781	158,222	386,013	
6 years later	764,453	93,512	84,926	143,526	158,222	415,256	
7 years later	764,027	93,512	84,926	161,129	158,222	429,900	
8 years later	764,027	93,512	84,926	161,129	158,222	434,514	
9 years later	764,027	93,512	84,926	161,129	158,222	441,407	
10 years later	764,027	93,512	84,926	161,129	158,222		
11 years later	764,027	93,512	84,926	161,129			
12 years later	764,027	93,512	84,926				
13 years later	764,027	93,512					
14 years later	764,027						
Reestimated incurred claims and allocated loss adjustment expense:							
End of policy year	(B)	455,251	349,515	794,982	799,613	2,643,981	
1 year later	1,070,247	388,570	570,120	636,861	578,395	2,979,058	
2 years later	1,325,209	423,155	441,538	419,920	824,159	3,219,787	
3 years later	1,049,161	323,678	270,749	346,321	391,195	2,711,301	
4 years later	1,106,021	238,143	228,001	308,928	209,335	3,825,063	
5 years later	1,009,591	207,629	84,926	157,588	158,222	3,739,534	
6 years later	896,448	93,512	84,926	183,084	158,222	4,690,352	
7 years later	764,027	93,512	84,926	162,955	158,222	6,372,578	
8 years later	764,027	93,512	84,926	161,129	158,222	6,422,465	
9 years later	764,027	93,512	84,926	161,129	158,222	4,541,852	
10 years later	764,027	93,512	84,926	161,129	158,222		
11 years later	764,027	93,512	84,926	161,129			
12 years later	764,027	93,512	84,926				
13 years later	764,027	93,512					
14 years later	764,027						
Increase (decrease) in estimated incurred claims and allocated loss adjustment expense from end of policy year	-	-	-	-	-	(1,880,613)	

(A) Claims and loss adjustment expenses and payments for the six-year period prior to 1992, which was the first year that the Authority issued insurance contracts, are included for actuarial purposes in the calculation of total unpaid claims and loss adjustment expenses.

(B) Amount is not readily determinable.

	1997	1998	1999	2000	2001	2002	2003	2004	2005
\$	1,326,315	\$ 1,414,804	\$ 1,527,955	\$ 1,437,975	\$ 1,552,616	\$ 1,657,986	\$ 1,885,825	\$ 2,090,638	\$ 2,126,231
	741,416	862,448	1,071,908	1,996,252	1,652,919	1,514,478	1,225,971	1,655,863	1,833,338
	57,888	77,872	58,601	172,327	101,158	182,395	93,623	95,865	156,961
	79,905	91,517	66,842	196,873	164,777	249,749	154,455	180,123	
	87,692	103,579	70,968	224,385	184,120	235,167	150,034		
	90,371	117,208	64,777	285,881	166,367	246,397			
	90,875	117,620	66,800	180,017	173,403				
	90,745	117,620	57,360	186,700					
	90,745	117,620	57,360						
	90,745	117,620							
	90,745								
	741,416	862,448	1,071,908	1,996,252	1,652,919	1,514,478	1,225,971	1,655,863	1,833,338
	583,280	799,686	418,396	1,942,279	1,051,239	1,019,798	928,333	1,066,205	
	327,674	315,906	194,754	1,971,751	798,503	523,070	581,124		
	90,626	117,344	64,924	2,145,689	166,527	501,818			
	91,824	117,620	66,800	1,982,949	173,403				
	90,745	117,620	57,360	2,004,087					
	90,745	117,620	57,360						
	90,745	117,620							
	90,745								
	-	-	-	21,138	6,876	(21,252)	(347,209)	(589,658)	-

(C) Beginning in 1994, the Authority increased the confidence level from 53% to 99% for purposes of actuarial valuation of estimated losses.

(D) Beginning in 1996, includes provision for certain uninsured exposures: environmental impairment, employment relations and defense non-monetary claims and excludes workers compensation coverage.

OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY
A Component Unit of Ottawa County
SUPPLEMENTAL SCHEDULE OF UNPAID CLAIMS LIABILITIES
Years Ended December 31, 2005 and 2004

	<u>General Liability (A)</u>		<u>Auto Physical Damage</u>	
	<u>2005</u>	<u>2004</u>	<u>(C)</u>	<u>2004</u>
Unpaid claims and claim adjustment expenses, beginning of year	\$ 2,830,281	\$ 3,381,836	\$ 143,619	\$ 123,649
Estimated incurred claims and claim adjustment expenses (undiscounted)				
Provisions for current year insured events	1,065,234	990,185	342,071	183,397
Increase (decrease) in provision for prior year insured events	(441,805)	(1,478,120)	(105,406)	(235,794)
Total estimated incurred claims and claim adjustment expenses	623,429	(487,935)	236,665	(52,397)
Payments				
Claims and claim adjustment expenses attributable to current year insured events	15,431	1,828	139,483	76,889
Claims and claim adjustment expenses attributable to prior year insured events	49,558	61,792	162	(149,256)
Total payments	64,989	63,620	139,645	(72,367)
Total unpaid claims and claim adjustment expenses, end of year	\$ 3,388,721	\$ 2,830,281	\$ 240,639	\$ 143,619

(A) Includes police and public officials liability coverage.

(B) Includes environmental impairment liability, employment relations liability and defense of non-monetary claims.

(C) The negative amount reported for prior year claims payments stems from difficulties encountered by the actuary in processing data from the Authority on a January-December period, rather than a April-March period as in prior years. As such, the actuary elected to exclude certain prior year payments from its claims development analysis.

Property & Crime		Medical Professional Liability		Uninsured Exposures (B)		Totals	
2005	2004	2005	2004	2005	2004	2005	2004
<u>\$ 46,948</u>	<u>\$ 11,346</u>	<u>\$ 571,716</u>	<u>\$ 5,021</u>	<u>\$ 6,868,889</u>	<u>\$ 6,841,431</u>	<u>\$ 10,461,453</u>	<u>\$ 10,363,283</u>
6,121	62,369	419,912	419,912	-	-	1,833,338	1,655,863
<u>8,118</u>	<u>(8,962)</u>	<u>(419,912)</u>	<u>146,783</u>	<u>(1,851,713)</u>	<u>32,072</u>	<u>(2,810,718)</u>	<u>(1,544,021)</u>
<u>14,239</u>	<u>53,407</u>	<u>-</u>	<u>566,695</u>	<u>(1,851,713)</u>	<u>32,072</u>	<u>(977,380)</u>	<u>111,842</u>
2,047	17,148	-	-	-	-	156,961	95,865
<u>55,066</u>	<u>657</u>	<u>-</u>	<u>-</u>	<u>6,893</u>	<u>4,614</u>	<u>111,679</u>	<u>(82,193)</u>
<u>57,113</u>	<u>17,805</u>	<u>-</u>	<u>-</u>	<u>6,893</u>	<u>4,614</u>	<u>268,640</u>	<u>13,672</u>
<u>\$ 4,074</u>	<u>\$ 46,948</u>	<u>\$ 571,716</u>	<u>\$ 571,716</u>	<u>\$ 5,010,283</u>	<u>\$ 6,868,889</u>	<u>\$ 9,215,433</u>	<u>\$ 10,461,453</u>

OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY
A Component Unit of Ottawa County
SUPPLEMENTAL SCHEDULE OF INVESTMENTS - BONDS AND NOTES
December 31, 2005 and 2004

				2005			2004		
	Credit rating	Maturity	Interest rate	Face value	Cost	Fair value	Face value	Cost	Fair value
U.S. Government Securities									
U.S. Treasury Notes		02/28/05	1.500%	\$ -	\$ -	\$ -	\$ 1,000,000	\$ 998,398	\$ 999,300
U.S. Treasury Notes		05/15/05	6.500%	-	-	-	5,000	5,056	5,073
U.S. Treasury Notes		03/31/06	1.500%	150,000	147,170	149,056	-	-	-
U.S. Treasury Notes		08/15/08	3.250%	55,000	54,890	53,476	55,000	54,890	54,744
U.S. Treasury Notes		11/15/08	4.750%	1,050,000	1,108,816	1,060,091	1,650,000	1,748,770	1,728,177
U.S. Treasury Notes		02/15/10	6.500%	300,000	330,563	323,613	-	-	-
U.S. Treasury Notes		02/15/12	4.875%	710,000	755,312	728,943	710,000	755,312	750,435
U.S. Treasury Notes		05/15/14	4.750%	300,000	312,094	307,302	-	-	-
				2,565,000	2,708,845	2,622,481	3,420,000	3,562,426	3,537,729
Mortgage-Backed Securities									
Federal Home Loan Banks	AAA	03/06/06	5.125%	340,000	345,168	340,214	-	-	-
Federal Home Loan Mortgage	AAA	01/15/12	5.750%	-	-	-	100,000	99,719	108,938
Federal Home Loan Mortgage	AAA	01/15/12	5.750%	100,000	99,719	104,906	-	-	-
Federal Home Loan Mortgage	AAA	07/12/10	4.125%	200,000	198,264	195,000	-	-	-
Federal Home Loan Mortgage	AAA	09/15/07	3.500%	-	-	-	100,000	102,833	100,281
Federal National Mortgage Assn	AAA	03/15/05	3.875%	-	-	-	200,000	206,654	200,562
Federal National Mortgage Assn	AAA	04/15/07	5.250%	125,000	125,798	125,743	-	-	-
Federal National Mortgage Assn	AAA	06/15/06	2.500%	250,000	246,638	247,657	-	-	-
Federal National Mortgage Assn	AAA	06/15/09	6.375%	215,000	202,758	225,885	525,000	499,127	579,306
Federal National Mortgage Assn	AAA	07/15/05	7.000%	-	-	-	280,000	280,221	286,300
Federal National Mortgage Assn	AAA	09/15/12	4.375%	450,000	440,530	439,736	450,000	440,530	450,140
Federal National Mortgage Assn	AAA	10/15/14	4.625%	375,000	373,765	370,549	-	-	-
SLM Corporation	A	05/15/14	5.375%	50,000	49,273	50,499	50,000	49,273	51,636
				2,105,000	2,081,913	2,100,189	1,705,000	1,678,357	1,777,163
Corporate Securities									
Verizon Global Funding Corp.	A	03/15/07	7.600%	50,000	55,729	51,412	50,000	55,729	54,130
General Electric Capital Corp.	AAA	06/15/07	5.000%	50,000	52,566	50,095	50,000	52,566	51,686
Boeing Capital Corporation	A	11/15/07	6.350%	50,000	53,207	51,301	50,000	53,207	53,449
Bear Stearns Companies, Inc.	A	12/15/07	6.750%	50,000	55,528	51,665	50,000	55,528	53,976
J P Morgan Chase	A+	05/01/08	3.625%	50,000	49,092	48,632	50,000	49,092	49,645
Household Finance Corp.	A	06/17/08	6.400%	50,000	53,807	51,582	50,000	53,807	53,944
Associates Corporation	A+	11/15/08	6.875%	50,000	54,998	52,636	50,000	54,998	55,189
John Deere Corporation	A-	01/13/09	3.750%	50,000	48,804	48,418	50,000	48,804	49,646
Internation Lease Finance	AA-	04/01/09	3.500%	50,000	47,394	47,593	50,000	47,394	48,686
Wachovia Corporation	A+	06/01/10	4.375%	50,000	48,870	48,911	-	-	-
Target Corporation	A+	08/15/10	7.500%	50,000	57,464	55,301	50,000	57,464	58,456
Wal-Mart Stores	AA	08/15/10	4.750%	50,000	49,671	49,709	-	-	-
Alcoa Incorporated	A-	01/15/12	6.000%	50,000	52,096	52,359	-	-	-
IBM Corporation	A+	11/29/12	4.750%	50,000	49,102	49,597	50,000	49,102	51,054
Verizon Global Funding Corp.	A	06/01/13	4.375%	50,000	45,508	47,354	50,000	45,508	48,721
Morgan Stanley	A	04/01/14	4.750%	50,000	45,774	47,953	50,000	45,774	48,720
Pitney Bowes Incorporated	A+	03/15/15	5.000%	50,000	49,257	49,345	-	-	-
				850,000	868,867	853,863	650,000	668,973	677,302
				\$ 5,520,000	\$ 5,659,625	\$ 5,576,533	\$ 5,775,000	\$ 5,909,756	\$ 5,992,194

OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY
A Component Unit of Ottawa County
SUPPLEMENTAL SCHEDULES OF INVESTMENTS - COMMON STOCKS
December 31, 2005 and 2004

	2005			2004		
	Shares	Cost	Fair value	Shares	Cost	Fair value
Aes Corporation	8,320	\$ 93,374	\$ 131,706	7,980	\$ 66,891	\$ 109,087
Affiliated Computer Services	-	-	-	1,735	85,072	104,430
Agilent Technologies	-	-	-	3,140	74,068	75,674
Alcon Incorporated	-	-	-	859	63,474	69,235
Allstate Corporation	1,420	64,120	76,779	1,860	81,820	96,199
Amdocs Limited	2,740	75,366	75,350	-	-	-
American Express	2,140	95,670	110,124	1,890	94,014	106,539
American International Group Inc.	2,032	105,084	138,643	1,752	93,467	115,054
Amgen Incorporated	2,190	124,398	172,703	2,330	122,883	149,470
Bank of America Corporation	3,445	133,260	158,987	3,275	124,911	153,892
Biogen Idec Incorporated	-	-	-	1,110	67,095	73,937
Bunge Limited	2,290	139,481	129,637	-	-	-
Cisco Systems	4,785	53,202	81,919	2,695	16,265	52,067
Citigroup Incorporated	3,575	142,691	173,495	3,295	129,769	158,753
Colgate-Palmolive Company	1,640	78,433	89,954	1,830	82,301	93,623
Constellation Brands	4,790	110,455	125,642	1,780	79,430	82,788
Dell Computer Corporation	2,440	69,101	73,078	3,880	120,010	163,503
Dean Foods	2,826	84,167	106,427	3,336	116,074	109,921
Devon Energy Corporation	1,420	44,311	88,807	2,930	88,478	114,036
Dicks Sporting Goods	2,690	82,892	89,416	-	-	-
Ebay Incorporated	-	-	-	1,280	102,296	148,915
Ecolab Incorporated	2,880	88,388	104,458	1,900	55,570	66,747
Electronic Arts	-	-	-	1,730	82,797	106,706
Equitable Resources	1,740	42,614	63,841	915	44,135	55,504
Exxon Mobil Corporation	2,990	131,359	167,948	2,660	102,968	136,352
Fisher Scientific International	2,100	130,037	129,906	-	-	-
Fortune Brands Incorporated	1,260	102,391	98,305	-	-	-
Freeport-McMoran	1,560	49,697	83,928	2,600	84,952	99,398
General Electric Company	4,685	141,320	164,209	4,905	148,098	179,032
Getty Images Incorporated	1,170	83,833	104,446	-	-	-
Glaxo Wellcome	2,700	117,307	136,296	2,360	100,358	111,840
Goldman Sachs Group Incorporated	1,090	96,832	139,204	1,090	91,315	113,404
Illinois Tool Works	1,390	119,916	122,306	1,130	98,417	104,728
International Game Technology	-	-	-	2,675	97,809	91,966
J.P. Morgan Chase & Company	3,660	129,149	145,265	2,580	90,802	100,646

Continued...

OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY
A Component Unit of Ottawa County
SUPPLEMENTAL SCHEDULES OF INVESTMENTS - COMMON STOCKS
December 31, 2005 and 2004

	2005			2004		
	Shares	Cost	Fair value	Shares	Cost	Fair value
Johnson and Johnson	1,900	\$ 78,444	\$ 114,190	1,350	\$ 43,348	\$ 85,617
Johnson Controls Incorporated	-	-	-	1,270	66,486	80,569
L-3 Communications	1,515	97,797	112,640	1,355	83,537	99,240
Lowes Company Incorporated	1,700	75,273	113,322	1,690	73,649	97,327
Merrill Lynch & Company	1,745	75,519	118,189	1,935	83,941	115,655
Microsoft Corporation	9,490	204,066	248,164	5,130	100,628	141,883
Minnesota Mining & Manufacturing	1,525	106,259	118,188	1,525	109,252	125,157
Motorola Incorporated	7,260	157,026	164,003	-	-	-
NII Holdings	2,540	53,743	110,947	2,700	93,714	128,115
Nextel Communications	-	-	-	1,730	41,016	51,917
PMI Group	-	-	-	1,245	50,852	51,979
Pepsico Incorporated	2,145	99,266	126,727	3,315	162,397	173,043
Pfizer Incorporated	-	-	-	3,300	40,497	88,737
Sprint Nextel	2,603	50,336	60,806	-	-	-
Staples Incorporated	-	-	-	-	-	-
Starbucks Corporation	3,800	77,159	114,038	1,870	74,515	116,613
Starwood Hotels	1,805	94,382	115,267	1,505	77,348	87,892
Texas Instruments Incorporated	4,000	94,946	128,280	3,960	80,846	97,495
Transocean Incorporated	1,400	74,873	97,566	-	-	-
United Health Group	1,390	76,919	86,375	-	-	-
United Technologies Corporation	2,710	127,297	151,516	1,205	109,178	124,537
Valero Energy Corporation	1,770	99,130	91,332	-	-	-
Wal Mart Stores Incorporated	-	-	-	1,890	77,761	99,830
Washington Mutual	2,295	91,617	99,832	1,635	64,219	69,128
Weatherford International	2,980	69,959	107,876	2,565	112,188	131,584
Wells Fargo & Company	1,700	101,407	106,811	-	-	-
Yahoo! Incorporated	3,053	99,673	119,617	3,513	115,367	132,370
Zimmer Holdings	1,700	122,650	114,648	1,230	87,856	98,548
		<u>\$4,856,589</u>	<u>\$5,903,113</u>		<u>\$4,354,134</u>	<u>\$5,340,682</u>

Concluded

OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY
A Component Unit of Ottawa County
SUPPLEMENTAL COMPARATIVE SCHEDULE OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS / RETAINED EARNINGS
Years Ended December 31, 2005 through 1996

	2005	2004	2003	2002
Operating revenues				
Loss premium revenues	\$ 1,615,037	\$ 1,506,570	\$ 1,423,527	\$ 1,193,767
Insurance recoveries and other revenues	62,381	5,050	20,823	30,590
Total operating revenues	1,677,418	1,511,620	1,444,350	1,224,357
Operating expenses				
Claims and legal expenses paid	332,669	165,293	220,748	186,485
Increase (decrease) in unpaid claims liability	(1,239,127)	102,784	2,107,400	1,522,515
Excess insurance expense	476,370	498,597	528,176	492,132
Risk management, administrative services and other expenses	189,073	186,734	169,929	174,852
Investment management fees	31,667	34,279	26,477	27,456
Total operating expenses	(209,348)	987,687	3,052,730	2,403,440
Operating income (loss)	1,886,766	523,933	(1,608,380)	(1,179,083)
Nonoperating revenues (expenses)				
Investment revenue	511,194	584,068	462,298	464,219
Change in fair value of investments	(40,050)	78,808	793,585	(1,207,063)
Total nonoperating revenues (expenses)	471,144	662,876	1,255,883	(742,844)
Income (loss) before transfers	2,357,910	1,186,809	(352,497)	(1,921,927)
Transfer to Ottawa County	(546,244)	(518,082)	(603,500)	(226,281)
Change in net assets	1,811,666	668,727	(955,997)	(2,148,208)
Net assets / retained earnings, beginning of year	3,222,615	2,553,888	3,509,885	5,658,093
Restatements [see notes below]	-	-	-	-
Net assets / retained earnings, end of year	\$ 5,034,281	\$ 3,222,615	\$ 2,553,888	\$ 3,509,885

Notes: The beginning retained earnings for 1996 was restated to exclude workers compensation coverage as directed by the State. Also, beginning in 1996 and for later years, the current activity excludes workers compensation coverage.

The beginning retained earnings for 1997 was restated for the adoption of GASB No. 31, which required unrealized gains and losses to be recognized in the operating statement. Beginning in 1997, the "change in fair value of investments" included realized and unrealized gains and losses. Prior to 1996, this caption included only realized gains and losses.

The beginning retained earnings for 2000 was restated for the adoption of GASB No. 33 and 34, which eliminated the reporting of contributed capital as a component of net assets (or equity) and required the reporting of such contribution transactions in the operating statement.

2001	2000	1999	1998	1997	1996
\$ 1,009,968 7,485	\$ 931,933 21,191	\$ 986,759 -	\$ 905,478 -	\$ 933,769 -	\$ 889,501 -
1,017,453	953,124	986,759	905,478	933,769	889,501
194,977	229,013	383,617	166,097	110,477	92,455
901,570	1,513,238	(482,545)	(69,754)	1,159,775	2,030,220
331,263	282,211	262,576	253,709	278,665	293,717
152,321	149,694	142,326	181,646	108,643	186,135
31,538	60,560	33,720	51,123	50,737	41,943
1,611,669	2,234,716	339,694	582,821	1,708,297	2,644,470
(594,216)	(1,281,592)	647,065	322,657	(774,528)	(1,754,969)
542,648	506,042	541,196	509,326	392,546	382,512
(560,286)	164,841	441,855	1,019,545	906,905	395,951
(17,638)	670,883	983,051	1,528,871	1,299,451	778,463
(611,854)	(610,709)	1,630,116	1,851,528	524,923	(976,506)
(367,174)	(480,893)	-	-	-	-
(979,028)	(1,091,602)	1,630,116	1,851,528	524,923	(976,506)
6,637,121	4,687,462	3,057,346	1,205,818	185,589	1,744,156
-	3,041,261	-	-	495,306	(582,061)
\$ 5,658,093	\$ 6,637,121	\$ 4,687,462	\$ 3,057,346	\$ 1,205,818	\$ 185,589

[1]

[1] Prior to 2000, immaterial insurance recoveries and other revenues were netted against claims and legal expenses paid.

OTTAWA COUNTY, MICHIGAN INSURANCE AUTHORITY
A Component Unit of Ottawa County
SUPPLEMENTAL SCHEDULE OF MEMBER GROWTH ANALYSIS
Years Ended December 31, 2005 through 1996

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Total number of members	2	2	2	2	2
Total employees	960	950	927	910	895
Total annual payrolls	\$ 41,787,184	\$ 39,332,524	\$ 39,249,518	\$ 38,517,965	\$ 35,615,824
Total member premiums	\$ 1,615,037	\$ 1,506,570	\$ 1,423,527	\$ 1,193,767	\$ 1,009,968
Total number of claims	124	96	91	106	91
Total reported losses	\$ (906,458)	\$ 268,077	\$ 2,328,148	\$ 1,790,002	\$ 1,063,640

(A) Beginning in 1996, includes provision for environmental impairment, employment relations and defense of non-monetary claims and excludes coverage for workers compensation.

<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
2	2	2	2	2
873	798	767	740	744
\$ 33,710,764	\$ 31,346,149	\$ 30,777,799	\$ 28,826,214	\$ 24,153,606
\$ 931,933	\$ 986,759	\$ 905,478	\$ 933,769	\$ 889,501
69	81	78	64	63
\$ 1,718,699	\$ (88,146)	\$ 85,071	\$ 1,252,812	\$ 2,118,997 (A)